

STATE OF CALIFORNIA



**Business, Transportation, and
Housing Agency**

**Energy Resources Conservation
and Development Commission**

Public Utilities Commission

Resources Agency

JOINT PUBLIC MEETING

Energy Action Plan Implementation Meeting

Tuesday, December 7, 2004

CPUC Auditorium

505 Van Ness Avenue

San Francisco

1:00 p.m. - 4:30 p.m.

The Energy Commission and Public Utilities Commission Members as well as other state representatives and the California Independent System Operator will jointly participate in a discussion on implementing the Energy Action Plan. No decisions will be made at this public meeting.

AGENDA

1. Introductions and Process (15 minutes)
2. Energy Action Plan Implementation (10 minutes)
 - Progress during 2004
 - Tracking 2006 and Beyond
3. Summer 2005 Actions (25 minutes)
 - ♦ Review of Summer 2004
 - ♦ Supply and Demand Outlook for Summer 2005
4. IEPR Updates (20 minutes)
 - ♦ 2004 Update, Discussion
 - ♦ Themes in 2005 IEPR and Links to Procurement

5. CPUC Procurement Proposed Decision (10 minutes)

- ◆ Outline of Decision and Congruency with EAP Loading Order

2:35 to 2:50 Break (15 minutes)

6. Discussion of Energy Action Plan II (45 Minutes)

- ◆ Proposed Elements and Issues in Electric Markets
 - Energy Efficiency, Demand Response, Renewables, Distributed Generation and Alternative Energy R&D
 - Market Operation including Core/Non-Core
 - Foster Supply including Clear, Open and Fair Procurement, Cogen & QFs
 - Transmission Systems
- ◆ Gas Markets
 - Pipe Capacity, Storage & LNG
- ◆ Climate Policy

7. Utility and Public Comments (30 minutes)

8. Member Discussion (15 minutes)

9. Closing Remarks and Next Steps (10 minutes)

Any person who wishes to address the Members may do so by signing up at the start of the meeting with the Public Advisors. Public comment will be limited given time constraints at the discretion of the Members; individual speakers should expect to have approximately 3 minutes.

For further information about making public comments at this meeting, please contact the CPUC Public Advisor at (415) 703-2074 or by E-mail: public.advisor@cpuc.ca.gov, or the CEC Public Advisor at (916) 654-4489.

The CPUC will provide audio and video casts of this meeting. Information on telephone and internet audio/video access can be found at www.cpuc.ca.gov under "Audio Access." Staff presentation documents, if any, will be available on the CPUC and CEC web pages by noon on December 7, 2004.

This location is accessible to people with disabilities. If specialized accommodations for the disabled are needed, e.g. sign language interpreters, please call the Public Advisor at (415) 703-2074 or TTY# (415) 703-5282 or toll free # 1-866-836-7825 three business days in advance of the meeting.

ENERGY ACTION PLAN II – OUTLINE

The following is a proposed outline for the Energy Action Plan II document. It is envisioned as a 10-15 page report looking at changes in direction and emphasis in implementation of the State's coordinated electricity and natural gas activities. It should build on EAP I, the 2004 Energy Report, and the Governor's response to the 2003-4 Energy Report.

(Note: The goals identified are for discussion purposes.)

I. Introduction and Background

- A. Recap of the outcomes of Energy Action Plan I
 - 1. Unprecedented cooperation and communication between the agencies and with the ISO
 - 2. Effort has led to progress on
 - a) Energy efficiency
 - b) Renewable energy development
 - c) Integration on the CEC's IEPR and the CPUC's procurement process
 - d) Distributed generation
 - e) etc.
 - 3. There has also been participation and reporting by the investor-owned and municipal utilities at the quarterly joint hearings
- B. Brief discussion of the 2005 electricity situation and actions initiated
- C. Discussion of new challenges
 - 1. Electricity supply issues in 2006 and beyond
 - 2. Natural gas resource issues anticipated by the end of the decade
 - 3. Growing environmental concerns, particularly global warming and water resources

II. Theme

- A. The goal of agencies in EAP II is to enhance reliability of the state's electricity and natural gas systems by development of the loading order, expanding the renewable energy goal, and reducing greenhouse gas emissions.
- B. Principles
 - 1. Continue cooperation among the agencies and the ISO.
 - a) Development of demand and supply projections and analyses.
 - b) Sharing of data with confidentiality provisions as appropriate.
 - c) Coordination of reporting and process requirements such as between the Energy Report and procurement process.
 - 2. Focus not only on state level concerns but concerns at a local level as well as recognition of our relationship with the western US.
 - 3. Emphasize creating a level playing field between demand and supply options.
 - 4. Consider the cost and environmental, particularly global climate change, implications of all options

Draft Outline – For Discussion Only

5. Apply the goals and actions to all providers – investor owned utilities, municipal utilities, energy service providers, and community choice aggregators.
6. Provide greater clarity and certainty in the electricity market for example by establishing a core/non-core policy.
7. Integrate energy research and development activities to inform and respond to emerging policy issues and technology needs.

III. Actions

- A. *Enhance Energy Efficiency* – Goal: Reduce per capita energy use and existing peak demand by 5,000 MW by 2010 through energy efficiency and demand response.
 1. Pursue demand response aggressively through various actions including the installation of advanced meters and adoption of associated tariffs.
 2. Integrate efficiency and renewable objectives.
 3. Develop more aggressive building and appliance efficiency standards.
 4. Implement a “green building” program.
 5. Provide greater focus on natural gas efficiency opportunities.
 6. Investigate water conservation and energy efficiency opportunities.
 7. Dedicate more resources on efficiency measurement and evaluation.
 8. Focus R&D on energy efficiency technologies.
- B. *Accelerate renewable development* – Goal: Continue to encourage the development of renewable energy technologies and seek to achieve 33% electricity through renewable technologies by 2020.
 1. Implement the Governor’s 1 million solar systems initiative.
 2. Continue the renewable procurement process.
 3. Establish a western regional renewable energy credit trading system.
 4. Establish water heating incentive program.
 5. Provide greater focus on development of biogas and other alternative fuels.
 6. Focus R&D on advanced renewable technologies.
- C. *Improve Operation of the Market* – Goal: Working with the Governor and Legislature, improve the electricity market structure to provide clearer signals to project developers, more regulatory certainty, and greater customer choice
 1. Establish a clear core/non-core policy
 2. Establish a functional electricity capacity market
 3. Improve coordination between system operators within the state and the region.
 4. Investigate other opportunities for market improvements
- D. *Enhance conventional energy supplies* – Goal: Develop new electricity generation sources needed to meet growing demands and replace retiring power plants in a manner that compliments achieving efficiency and renewable goals.
 1. Complete the current electricity procurement process.
 - a) Ensure that it is clear, open and fair.
 - b) Ensure it is seamless with other planning and analytical processes.
 - c) Expand it to all electricity providers.
 2. Secure cogeneration and qualifying facilities.

Draft Outline – For Discussion Only

- E. *Improve energy transmission systems* – Goal: Eliminate all significant electricity and natural gas transmission constraints by 2010.
 - 1. Establish an integrated, statewide transmission planning process.
 - 2. Improve opportunities for energy exchanges between California and Mexico.
 - 3. Consolidate transmission permitting with the current generation permitting process.
 - 4. Establish a process to establish and protect critical transmission corridors.
 - 5. Ensure sufficient transmission to develop new renewable resources.
- F. *Enhance natural gas infrastructure and supply options*. Goal: Obtain access to an additional 500 million cubic feet per day of natural gas supplies by 2010.
 - 1. Expand the capacity of natural gas pipelines delivering domestic supplies.
 - 2. Encourage the development of safe and environmentally responsible LNG development.
 - 3. Encourage the development of natural gas storage.
- G. *Develop other energy alternatives*.
 - 1. Remove barriers to developing distributed generation technologies such as fuel cell and microturbines.
 - 2. Focus R&D on alternative, small scale generation that meets environmental objectives.

IV. Global Warming Considerations

- A. Brief overview
 - 1. The problem.
 - 2. Contribution from electricity and natural gas sectors.
- B. Goals
 - 1. Emission reduction target.
 - 2. Improved reporting.
 - 3. Consideration in decision-making.
 - 4. Encouraged participation in the Registry.